North Spokane Corridor

Major transportation issues facing the State include the difficulty in financing highway improvements of statewide significance. A variety of different governments are involved in planning and providing transportation improvements. The federal government, state, counties, cities, and special purpose districts are all involved in financing transportation improvements for the citizens of Washington State. In the 2005 Legislative session, legislation was enacted that could lead to coordinating the planning for and provision of transportation facilities on a regional basis. This legislation significantly expanded the purpose and nature of transportation benefit districts.

Transportation Benefit District

A transportation benefit district (RCW 36.73) is a special purpose district authorized to finance the construction and operation of transportation projects that are of statewide or regional significance as detailed in the transportation plan of the state or regional transportation planning organization. A transportation benefit district must be coterminous with the boundaries of the entity or entities that create it. A transportation benefit district may be created by a single city or a single county, or may be created by two or more cities or counties. Port districts, transportation authorities, or public transportation benefit areas may be included as well if the legislative authorities of the participating jurisdictions agree to inclusion under an interlocal agreement. Such a transportation benefit district would occupy the combined area of these jurisdictions. The members of the county or city legislative authority or authorities creating a transportation benefit district serve ex officio as members of the governing body of the transportation benefit district. A transportation benefit district automatically dissolves itself within 30 days after the transportation projects have been completed and paid for or after the debt service has been paid.

A sponsoring county or city legislative authority may create a transportation benefit district by ordinance if, after holding a pubic hearing, it finds that it is in the public interest to create the transportation benefit district. The ordinance creating the transportation benefit district must specify the boundaries of the transportation benefit district and the transportation improvements it proposes to make. In selecting the transportation improvements, the sponsoring legislative authority or authorities must consider a variety of factors, including: improved safety, improved travel time, improved air quality, increased daily and peak period trip capacity, improved modal connectivity, improved freight mobility, cost effectiveness, and optimal performance of the system over time. The projects selected may include major highways, streets or roads of statewide or regional significance, high capacity transportation, and public transportation. The transportation benefit district does not own the improvements it finances but instead these improvements are owned by the state, the sponsoring county or city, or a participating port district or transit district.

To finance the proposed improvements, a transportation improvement district may use a variety of voter approved sources, including: excess property tax levies, sales and use taxes, annual vehicle license fees, impact fees, vehicle tolls, and debt proceeds. A transportation benefit district must prepare an annual report describing the status of their transportation improvement costs, expenditures, revenues, and construction schedules. They must also develop a policy to address major plan changes affecting project delivery or the ability to finance its projects. A transportation benefit district must hold a public hearing to solicit comment if a transportation improvement cost exceeds its original finance plan by more than 20%.

Transportation Benefit District
Financial Options

A transportation benefit district may impose voter approved excess property tax levies, including single year levies for its general purposes and multi-year levies to retire general obligation bonds issued for capital purposes. The ballot proposition authorizing either levy must be approved by at least a three-fifths vote and a 40% voter validation requirement.

A transportation benefit district may impose a voter approved sales and use tax of up to 0.2%. Sales and use taxes may only be imposed for a ten-year period unless voters approve a ballot proposition extending the sales and use taxes for an additional ten-year period. The sales and use tax is in addition to other sales and use taxes and is imposed on the same taxable occurrences within the transportation benefit district's boundaries as sales and use taxes imposed by the state. A countywide 0.2% sales and use tax in Spokane County could generate an estimated $20 million per year. It should be noted that the time limitation for imposing the sales and use tax could restrict the ability of a transportation benefit district to utilize this funding source for the repayment of debt.

A transportation benefit district may impose a voter approved annual vehicle fee of up to $100 per vehicle registered within the transportation benefit district that is subject to basic license fees and gross weight fees with unladen weights of 6,000 pounds or less. The annual vehicle fee applies only when renewing a vehicle registration. Various vehicle classes are exempt from these fees, such as, snowmobiles, trailers, campers, farm vehicles, off-road and non-highway vehicles and commercial vehicles registered under the international registration plan. A vehicle fee of up to $20 can be imposed without voter approval if the fee is approved by a majority of the transportation benefit district board. In Spokane County, an annual $100 vehicle fee could generate approximately $40 million per year.

A transportation benefit district may impose voter-approved impact fees or charges on the construction or reconstruction of buildings or the development, subdivision, classification, or reclassification of land within its boundaries. Developments of less than 20 residences are exempt from these impact fees. Impact fees must be reasonably necessary as a result of impacts arising from the development, construction, or reclassification of the land on identified transportation needs. Revenues from the impact fees may only be used to finance transportation improvements constructed by the transportation benefit district.

A transportation benefit district may impose voter-approved vehicle tolls on state highways, city streets, or county roads within its boundaries. The tolls may only be sufficient to finance the functions and activities that the transportation benefit district is authorized to provide or fund as contained in the ordinance creating the transportation benefit district.

A transportation benefit district may incur indebtedness and issue general obligation bonds up to one and one-half percent of the value of taxable property within its boundaries without voter approval and a total of five percent of the value of taxable property within its boundaries if voters approve a ballot proposition authorizing the indebtedness by at least a three-fifths vote. A transportation benefit district may also issue revenue bonds. The revenue bonds would be payable from the taxes or fees imposed by the transportation benefit district. The maximum term of general obligation bonds is 40 years. For revenue bonds, the maximum term is 30 years. Annual debt service requirements per $100 million in bond proceeds with a 5.25% interest rate and a 25 year term is approximately $7.3 million per year.

Other Local Financial Options

In addition to the transportation benefit district legislation, a number of local option taxes were authorized in the 1990 Legislative session that enable local governments to impose additional taxes for the provision of transportation improvements. These include a commercial parking tax and a motor vehicle and special fuel tax.

For general transportation purposes, a county or city may impose a commercial parking tax. The tax may either be on the commercial parking business, based on gross proceeds or the number of parking stalls, or on the customer. Tax exempt carpools, vehicles with handicapped decals, and government vehicles are exempt from the tax.

A local option motor vehicle and special fuel tax equal to 10% of the statewide motor vehicle fuel tax and special fuel tax may be imposed with voter approval. The local option fuel tax would be 3.75 cents following the full implementation of the 9.5 cent state fuel tax rate increase passed by the 2005 Legislature. A countywide local option fuel tax of 3.75 cents could generate an estimated $10 million per year in Spokane County.

State Sales Tax Options

The state sales and use tax (6.5%) as well as all locally imposed sales and use taxes are applied to the contract amount of state highway construction projects. With Legislative approval, the state sales and use tax could be transferred from the state general fund to assist in the financing of proposed projects. The state sales and use tax transfer would contribute to the financing of the project and reduce the funding needed to be financed through bond proceeds or other means. With a project cost estimated at $3.3 billion, a state sales and use tax transfer could amount to approximately $215 million.

The Legislature could also provide for a state sale and use tax deferral. A sales and use tax deferral would also reduce the initial cost of the project and, thereby, reduce the need for additional bond financing. If the total financing of the project included tolls, the reduced funding derived from bond proceeds could lead to reduced toll revenue requirements over the life of the project financing.

Tax Increment Financing

A rarely used financing method is tax increment financing. Tax increment financing is a method of financing public facilities or improvements where some property tax receipts within designated areas are diverted from taxing districts and used to finance the construction of public facilities or improvements in the designated areas. This mode of financing is also known as community redevelopment financing. Tax increment financing is generally intended to assist local government promote economic development.

A county, city, or port district may institute a tax increment financing program under the new legislation enacted in 2001 by designating the boundaries for a tax increment finance area, holding a public hearing on the proposal, and obtaining agreements for the financing program from the local governments imposing at least 75% of the regular property taxes within the tax increment financing area. A tax increment financing program with a fire protection district located in the tax increment finance area may only be instituted if the fire protection district approves the program. The tax increment financing area must be comprised of contiguous tracts of land and may not comprise more than 25% of the total assessed value of the taxable real property within the boundaries of the local government creating the tax increment financing area.

The assessed value of property located within a tax increment finance area is separated into two parts. First, the regular property taxes imposed by local governments on the assessed value of the area at the time it was created, plus 25% of any increased assessed value, are distributed to the taxing district as if the tax increment financing program were not instituted. Second, the regular property taxes imposed by local government on 75% of any increased assessed valuation is diverted from these taxing districts and used to finance the infrastructure improvements within the tax increment finance area. The tax increment financing terminates when the financing is completed. Utilization of this form of financing along a significant transportation corridor project could be problematic due to the extended time period for construction and financing.

Summary

To summarize, the following average annual revenue sources could be available to assist in the financing of the North Spokane Corridor.

North Spokane Corridor
Estimated Countywide Revenue Sources
Spokane County

Transportation Benefit District	
Sales and Use Tax (0.2%)	$20 million/year
Vehicle Fee ($100 per vehicle)	$40 million/year
Other Local Option Taxes	
Local Option Motor Fuel Tax (3.75 cents)	$10 million/year
State Sales Tax Transfer	
Sales and Use Tax (6.5%)	$215 million